



# MEMBER REPORTING FOR

Varner AS

For 2018

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*"Ethical Trading Initiative Norway's members have made a commitment to implement measures that contribute to better conditions in their supply chains."*

## To readers of this report

Ethical trade should ensure that production of goods and services is fair, responsible and compliant with relevant legislation. IEH - Ethical Trading Initiative Norway's members have made a commitment to implement measures that contribute to better conditions in their supply chains. IEH's Code of Conduct provides the foundation for this work. The Code of Conduct covers working conditions, human rights, the environment and anti-corruption.

Members are also obliged to report annually on their progress, including the challenges they face and their achievements to date. The report is made publicly available and can be downloaded from IEH's website.

IEH's template for reporting focuses on the impact of improvements made in the supply chain. The reporting template incorporates expectations laid down in the United Nations Guidelines for Business and Human Rights and in the OECD Guidelines for Multinational Enterprises, including due diligence and stakeholder engagement. Indicators from the Global Reporting Initiative reporting framework are included where these are deemed to add value to the reporting process. For signatories of Global Compact, it is our intention that this report covers the requirements laid down for reporting on supply chain improvements as part of the annual Communication of Progress.



Heidi Furustøl  
Managing Director IEH

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## Foreword from: Marius Varner, CEO

Varner is a value driven company. Being responsible is one of our core values and we aim to act responsibly in all areas affected by our business.

The apparel industry is in transition. We believe that one of the drivers in this transition is an increasing awareness and knowledge about the challenges and opportunities related to sustainability in our industry. This is a motivation for us to continue to develop activities and new ways of targeting our ambitions and goals on making fashion more sustainable.

Transparency and communication both internally and externally has been a focus this past year. We arranged a successful Varner Sustainability Week under the banner “Green in the New Black”. This was a series of events and seminars where suppliers, industry experts and other relevant stakeholders presented the latest news and innovations from sustainable fashion. It is our intention to continue to challenge ourselves on our level of transparency and communication about both risks and opportunities related to sustainability.

A key activity during the reporting year has been the development of a sustainable fiber strategy to complement and strengthen our ongoing work with sustainable materials and fibers. In this strategy, we commit to using 100 % sustainable cotton by 2025 according to the Cotton Sustainability Communique and we see that we are well ahead of schedule to reach our ambitious targets.

We continue to seek cooperation in order to more efficiently reach our goals of decent work and proper conditions for people impacted by our supply chain. Cooperation with Multi stakeholder organizations (such as Ethical Trading Initiative Norway), NGOs, labour unions, workers and managers in the supply chain, and competitors and other companies is necessary to address the sustainability challenges in our industry efficiently. Such cooperation between stakeholders is essential in our work with social dialogue and awareness raising in our supply chain.

We continue to strive for a production of goods that does not negatively affect neither individuals working in our supply chain nor the environment and we are intent to make great effort to take responsibility in all areas of our business. We are proud of the work we have done so far but there is still significant work to do, and we are confident that we will make further progress in the years to come.



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## Scope of reporting

Members of IEH are in different phases of their work with ethical trade. They also work in different industries each with different and often unique challenges. Some members purchase directly from production facilities, others partly or exclusively through agents. Smaller companies are usually unable to allocate the same resources to their work with ethical trade as larger organisations.

As a result of this, companies have the option to deselect non-mandatory questions in the table below. Deselected questions will not appear later in the reporting template. As a standard yes is selected for all questions. Report readers may find a complete template with all questions at [www.ieh.no](http://www.ieh.no).

Companies are expected to provide an explanation for each deselected question.

|  | YES                                 | NO                       |
|--|-------------------------------------|--------------------------|
| Step 2 - Screening of new suppliers (indicator 2-1, point b-d)                               | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 2 - Mapping of conditions at supplier level (question 2.5)                              | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 2 - Number of existing suppliers mapped according to method adopted (indicator 2-2)     | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 3 - Time elapsed before paying suppliers (indicator 3-2)                                | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Competence building activities provided for supplier ( question 4.3)                | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Measures to improve working conditions and respect for human rights (indicator 4-1) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Mapping and measures taken to improve workers' wage level (question 4.4)            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Measures concerning freedom of association and collective bargaining (question 4.5) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Measures (corrective) taken to improve environmental stewardship ( indicator 4-2)   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Anti-corruption measures taken (question 4.6)                                       | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Certification of products, materials and services (indicator 4-3)                   | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 4 - Improvement projects initiated or taken part in (question 4.8)                      | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 5 - Communication with stakeholders (question 5.3)                                      | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 5 - Procedures for dealing with complaints in the supply chain (question 5.6)           | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Step 5 - Number of complaints received and measures taken (indicator 5.1)                    | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

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## About the company

### Company name:

Varner AS

### Main brands, products and/or services offered:

Retail / Apparel.

Company brands: A-Z, Bik Bok, Carlings, Cubus, Days Like This, Dressmann, Dressmann XL, Urban, Volt, Wow

### Description of company structure:

Varner is the mother company for all brands mentioned above. Business functions work across all brands in order to collaborate on key decisions. The work with ethical trade and sustainability are equal to all brands and decisions on these issues are implemented at Varner level. Certain projects or focus areas may be initiated at brand level.

### Head Office address:

Nesøyveien 4, Billingstad, Norway

### Head Office address:

Number of employees:

11,000

Turnover (NOK):

11,055,000,000

### Main characteristics of the company's supply chain:

Purchases included within this report:

Fashion clothing/garment and accessories.

Number of suppliers:

181

Monetary value of purchases, divided by type of product and services, type of supplier (e.g. producer, manufacturer, agent) and region/country:

| Type of product and service | Percentage of purchases (%) |
|-----------------------------|-----------------------------|
| Garment and accessories     | 100 %                       |

| Type of supplier:  | Percentage of purchases (%) |
|--|-----------------------------|
| Own brand suppliers  | 72 %                        |
| External brand suppliers   | 28 %                        |
| NOTE: We have not included our external brands in the statistics of this report. |                             |

| Region/country: | Percentage of purchases (%) |
|-----------------|-----------------------------|
| China           | 40 %                        |
| Turkey          | 15 %                        |
| Bangladesh      | 30 %                        |
| India           | 8 %                         |
| Pakistan        | 2 %                         |
| Italy           | 1 %                         |
| Vietnam         | 1 %                         |
| Ukraine         | 1 %                         |
| Serbia          | 1 %                         |
| Other           | 1 %                         |

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Year when IEH membership started:

2003



“At Varner, we promote decent working and environmental standards in our supply chains. We cooperate closely with our suppliers and business partners in pursuit of this.”



Photo: Shutterstock





## Goals and Progress for the Reporting Year

| Goals   | Progress   | Relevant step in IEH's implementation model |                                     |                                     |                                     |                                     |
|---|--|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   |  | 1   | 2                                   | 3                                   | 4                                   | 5                                   |
| Sweden Textile Water Initiative: Implement 2-4 more suppliers in STWI projects.   | STWI nominations was set on hold for 2018 from STWI's side due to the re-organization of STWI business model.  | <input type="checkbox"/>                    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Nordic Ecolabel Swan: Certify 2 more suppliers for the certification.   | 2 suppliers in Bangladesh is certified.  | <input type="checkbox"/>                    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Fairtrade certified cotton: 1% of Fairtrade certified products on Varner level  | 2,5 % achieved in 2018   | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Better Cotton Initiative target: 30 % of all Varner cotton will be Better Cotton  | 27% achieved. The goal is not reached and the reason for that is that baseline is wrong. Baseline was calculated in 2015, and purchase volumes has decreased since then. After setting the baseline correctly we expect a higher percentage.   | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| Continue to increase suppliers (including managers and workers) ability and capacity to drive sustainable improvement processes | We have continued the establishment of training programs for suppliers (including both management and workers). Close to 5000 workers and managers have been provided with training in various capacity enhancement programs during 2018. In addition, 83 000 workers have been reached with awareness programs relating to workplace safety. See pages 30-32 for more information about capacity building and training. | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

| Goals  | Progress   | Relevant step in IEH's implementation model |                          |                                     |                                     |                                     |
|--|--|---|--------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  |  | 1   | 2                        | 3                                   | 4                                   | 5                                   |
| Increase transparency and traceability beyond tier 1 in the supply chain | Full scale CSR program has been extended to tier 2 in supply chains in Europe and Pakistan during the reporting year (in addition to markets Turkey, India and Bangladesh) | <input type="checkbox"/>                    | <input type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

## Goal for Coming Year

| Goals   | Relevant step in IEH's implementation model |                                     |                                     |                                     |                                     |
|---|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | 1   | 2                                   | 3                                   | 4                                   | 5                                   |
| <b>VARNER SUSTAINABILITY STRATEGY</b><br>Varner has defined concrete activities for 2019, based on the overall Sustainability Strategy. Our main goals for the coming year are: | <input checked="" type="checkbox"/>         | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| <b>Fairtrade certified cotton:</b><br>Increase the amount of Fairtrade certified cotton.  | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Better Cotton Initiative target:</b><br>35% of total cotton volume on Varner level   | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Improving our environmental footprint:</b><br>Certifying two suppliers to Nordic Ecolabel Swan.  | <input type="checkbox"/>                    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| <b>Responsible Wool Standard:</b><br>During 2019 Varner will produce its first Responsible Wool products.   | <input checked="" type="checkbox"/>         | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| <b>Improving our environmental footprint:</b><br>Sweden Textile Water Initiative: Two suppliers in Bangladesh participating in STWI programme                                   | <input type="checkbox"/>                    | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| <b>External brands:</b><br>Arrange one meeting with selected external brands on sustainability topics. Selection is based on CSR mapping of the brands.                         | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| <b>Communication:</b><br>Increased transparency about production of goods available to customers.   | <input checked="" type="checkbox"/>         | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| <b>Communication:</b><br>Make policies related to ethical trade public.   | <input checked="" type="checkbox"/>         | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

| Goals  | Relevant step in IEH's implementation model |                                     |                                     |                                     |                                     |
|--|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | 1   | 2                                   | 3                                   | 4                                   | 5                                   |
| Internal communication:<br>Increasing knowledge and awareness throughout the company about sustainability.                         | <input type="checkbox"/>                    | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
| Sustainable Cotton Pledge:<br>We commit to sourcing 100 % sustainable cotton within 2025.  | <input checked="" type="checkbox"/>         | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Credible due diligence:<br>Continue to increase the scope of the Varner due diligence program in tier 2 and 3 in the supply chain. | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |
| Enable Social Dialogue:<br>Extend the social dialogue concept to new suppliers   | <input type="checkbox"/>                    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/>            |



# 1. COMMIT

Commitment in the company and its supply chain



# 1. COMMIT

## COMMITMENT IN THE COMPANY AND ITS SUPPLY CHAIN

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### Commitment in the Company

Q1.1 Describe how your company's work with ethical trade is anchored at Board level.

The owners of Varner, which is also CEO and Chairman of the Board are committed to Varner's work with ethical trade and sustainability. The work with ethical trade and sustainability is well anchored at Board level where this is a topic on the agenda every year. Sustainability has an essential role in the "Varner Ambition" statement. Sustainability shall be at the center of each business decision we make.

Q1.2 Describe how your company's work with ethical trade is anchored at top management level:

Name and position of persons in top management team with main responsibility for ethical trade:

Chairman of the Board, Petter Varner.

CEO of Varner AS, Marius Varner.

Buying Manager, Magnus Gjerde.

Global Production Manager, Chessa Nilsen.

Global Corporate Social Responsibility Manager, Vegard Krohn Neverlien.

Quality Assurance Manager, Christiane Fagertun.

The extent to which incentives/bonuses are related to ethical trade/sustainability indicators:

The sustainability department has a yearly bonus based on performance on set targets and indicators.

The extent to which internal reporting routines are established for work with ethical trade:

Sustainability Manager reports directly to the CEO and Chairman of the Board of Varner and to the CEO of Varner Retail. Reporting is done regularly on the progress on the sustainability strategy and the goals set. The CSR team reports quarterly on progress and status. The CSR manager reports regularly to the Global Production manager which in turn reports to the Buying manager and the CEO.

Other relevant information:

This report is in great extent focusing on sustainability and CSR-related issues.

### Internal Competence Development and Awareness Raising

Q1.3 Describe what needs have been identified regarding competence development and awareness raising:

We experience that the level of awareness and commitment to ethical trade and sustainable fashion are constantly increasing from all parts of the company. Because of this, there is a constant and ongoing need for competence development in Varner on these topics. Constantly improving our competencies related to more sustainable design and product development, preferred fibers and materials, and related to more environmental-friendly production processes are now becoming more and more important in order to achieve our goals and ambitions. We also identify an increasing demand from our customers regarding transparency, sustainability and corporate responsibility. We experience that our employees are finding creative ways we can become more transparent and provide sustainable alternatives to our customers.

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Q1.4 Describe competence development activities and measures to raise awareness that have been completed during the reporting year:

This year we particularly focused on competence development and awareness raising. For the first time, we launched a comprehensive Sustainability Week at our head office. We named the event "Green is the new Black". This event consisted of a series of seminars and workshops across different topics available for all employees. A great deal of suppliers, stakeholders and internal staff was involved and the feedback afterwards was positive. We have additionally been working on renewing our policies, guidelines and procedures on relevant topics related to ethical trade, sustainability and quality assurance that is made available to all employees. Alongside this, we have arranged several breakfast seminars on relevant topics and run training sessions on request.

## Commitment in the Supply Chain

Q1.5 Please provide a complete URL (web address) to your company's code of conduct, or attach if preferred:

Varner Supplier Code of Conduct was revised in 2018 and is publicly available here: <http://varner.com/globalassets/sustainability/people/varner-responsible-manufacturing-2018.pdf>

Q1.6 Describe how your company communicates compliance with your code of conduct (CoC) to your suppliers. Please include:

How the intention of the CoC is communicated:

The Supplier Code of Conduct is an integrated part of the Varner Sustainability Manual. The manual contains requirements for Origin and Processing of Raw Materials (incl. animal welfare), Product Requirements (incl. RSL) and Requirements for Responsible Manufacturing (incl. CoC, chemical handling and environmental requirements and guidance).

The Sustainability Manual is distributed to all suppliers. All suppliers must sign a contract where they agree to follow and implement our requirements, including those in CoC, at all levels in the supply chain. All new suppliers are required to meet with our local sustainability teams to go through all requirements and expectations in the manual. Sustainability on-boarding training program for suppliers is mandatory for all new suppliers. Follow-up meetings on requirements are held regularly. Requirements in the CoC are also emphasized at factory visits, in meetings and before and after social inspections.

Systems in place for capturing feedback and encouraging dialogue with the suppliers:

Points of contact for feedback and dialogue are clearly defined when a cooperation with a supplier is initiated. We have dedicated CSR staff present in our four main production markets. Our local presence in our main production markets enables us to work closely with our supply chain. We are in dialogue with factories producing for Varner with tight intervals.

Openness and transparency is highlighted from the beginning of a business relationship as fundamental to the cooperation. This is also emphasized regularly in meetings, at factory visits, and in regular correspondence. Suppliers are evaluated on a yearly basis on several criteria relevant to the cooperation, including sustainable practices. The aim of the evaluation is to enable improved performance together. An important part of the evaluation is to provide a thorough feedback to our suppliers about their performance.



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Incentives for good working conditions and and environmental stewardship:

We perform annual supplier evaluations where factory standards and social working conditions are equally weighted alongside other business criteria. Suppliers and factories with good performance on social and environmental aspects are highlighted for internal business teams. Suppliers that does not meet our requirements after several improvement plans are subject to termination of cooperation which indicates a clear incentive and advantage for suppliers that perform well on our CoC elements.

The extent to which the CoC is translated into local languages:

The CoC has been translated into Chinese, Turkish, Hindi, Bengali and Tamil.

Other relevant information:

Open and honest communication with suppliers is key in order to enable improvement in our supply chain. We cannot improve social and environmental conditions without collaboration from suppliers.

Q1.7 Describe the extent to which your CoC is communicated to sub-suppliers further up the supply chain. Describe any activities you engage in to ensure that this happens:

Our production offices control sub-suppliers knowledge about the requirements in the CoC by visits, inspections and meetings. By being present at sub-suppliers factories with regular intervals, we communicate our requirements directly to the factory management. We also engage in improvement work with sub-suppliers before and after inspections. The communication and distribution of the CoC to sub-suppliers is an ongoing process. Each supplier is required to distribute our CoC to all of their business partners and ensure that it is being followed.

Indicator 1 - 1: State the percentage of your company's first tier suppliers, included in the scope of the report, who have received and accepted your CoC for ethical trade:

|  | 2018  | 2017  | 2016  |
|--|-------|-------|-------|
| Total number of suppliers:                       | 181   | 173   | 184   |
| Percentage of total number of suppliers:         | 100 % | 100 % | 100 % |
| Percentage of total monetary value of purchases: | 100 % | 100 % | 100 % |



# 2. ASSESS

Assessing risk in the supply chain



## 2. ASSESS ASSESSING RISK IN THE SUPPLY CHAIN (DUE DILIGENCE)

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### Screening of New Suppliers

Q2.1 Describe how your company takes ethical trade considerations into account when choosing new suppliers. Describe the criteria that results in:

A supplier not being used:

Varner has developed zero-tolerance issues for suppliers. If we find a non-compliance to any of our zero-tolerance issues, the supplier can not produce for Varner. Every issue we find is discussed and assessed before a decision is made based on the severity and the remediation possibility of the issue. Key issues we find with suppliers not being used by Varner include:

- Lack of transparency and honesty
- Critical breach with the Varner Code of Conduct/Responsible Production Standards
- Extensive number of sub-contractors or non-transparent supply chain
- Weak or missing knowledge about social compliance and proper working conditions
- Lack of willingness to adjust practices in order to meet our requirements
- Insufficient management of production standards, missing capacity/capability of improvement and development.

Improvements being carried out as a prerequisite for trade with this supplier:

Varner has a well established sourcing policy where all suppliers and factories are required to undergo an inspection of social conditions before any cooperation can begin. This can either be an inspection from Varner's own CSR staff or from an independent auditing company - usually both is required. If any issues are found during inspections that are in breach with the Varner Code of Conduct, the supplier will be required to improve these before cooperation can start.

Choose from the list the elements that are included in your screening process:

- Self Assessment Questionnaire (SAQ)
- Own visits
- Inspections
- Reports from earlier inspections
- Choosing of certified companies
- The supplier has a programme for following up sub-suppliers
- Other

Provide a more detailed descriptions of your screening methods:

All factories that are considered for production are required to undergo detailed assessments before they can be approved for use. A wide range of methods are used for screening. The key steps in pre-screening of suppliers include; (1) Pre-assessment done by local Varner CSR Specialists. At this stage the factory unit (or units) is visited and inspected. (2) Documentation and information on social and environmental aspects of the supplier are reviewed in cooperation with supplier. (3) Review of previous audit reports and (4) transparency, openness and dialogue with the suppliers are taken into consideration.

How we proceed depends on what we find at the pre-assessments. If the factory comply with our most critical criteria on the pre-assessment, we initiate a full Code of Conduct Audit done by a third party or by Varner CSR internal auditors. After this stage the factory can be approved for use by the CSR-department if the factory (or factories) meets the required standard and the supplier is willing to commit

to the Varner Code of Conduct program.

## Indicator 2-1: Screening of new suppliers and measures taken

A) State the percentage of new suppliers that have been screened for either working conditions, human rights, environmental impact or corruption, or for the existence of a program for following up its own suppliers in these areas:

| Percentage of new suppliers that have been screened  | 2018  | 2017  | 2016  |
|--|-------|-------|-------|
| Percentage of new suppliers that have been screened: | 100 % | 100 % | 100 % |

B) Describe the most important issues that have been identified and in which countries they occurred:

| Identified issues in 2018  | Relevant CoC element                         | Country  |
|--|--|--|
| Systems to record, track and monitor working hours and wages are insufficient  | Working Hours, Wages and Benefits            | China, India, Turkey, Bangladesh, Italy, Pakistan                  |
| Occupational health and safety hazards   | Occupational Health and Safety               | India, Bangladesh, Turkey, India, China, Pakistan, Italy, Portugal |
| Incorrect calculation rates for overtime compensation                          | Wages and Benefits                           | China, India, Pakistan   |
| Insufficient building safety, or insufficient documentation of building safety | Occupational Health and Safety               | Turkey, China, Bangladesh, India                                   |
| Insufficient or non-effective systems for worker representation and grievances | Laws and Regulations, Freedom of Association | India, Bangladesh, China, Turkey, Pakistan                         |

C) Out of the total number of screened supplies, please provide:

| Follow-up of screened suppliers in 2018                            | Percentage (%) |
|--|----------------|
| Percentage not traded with as a result of the screening:           | 23 %           |
| Percentage for which requirements for improvements were specified: | 77 %           |

#### D) Please provide details regarding your actions to follow up screened suppliers:

When potential suppliers or factories have been screened according to our procedures, the CSR department will decide if the supplier is suitable for cooperation with Varner or not. Suppliers/factories with critical breaches to the Varner CoC, will not be approved. Business may be initiated with suppliers/factories with less serious breaches to the CoC. If a conditional approval is given we develop a corrective action plan for when and how improvements has to be done. These plans are closely followed up. Support on improvements will be extended to the suppliers if needed. Our local presence enables us to work closely with suppliers in order to help them make the necessary improvements. It is critical that factory management is willing to be open and cooperative in this process. Our local CSR specialists perform follow-up inspections of the issues identified in the corrective actions plan. From here, the suppliers enters into the Varner CSR Program which includes a well established due diligence process.

## Overview of Where Production Occurs (existing suppliers)

### Q2.2 To what extent do you know where the products are produced. Include:

#### Knowledge of first tier of production:

We have full knowledge of first tier producers in all production markets. We require first tier suppliers to inform us of every production unit in use for every order. Only second tier production units approved by Varner can be used. Because of this, we have mapped second tier producers in three of four main production markets. Unauthorized outsourcing of production is a critical breach to our requirements. Random checks, announced, semi-announced and unannounced visits and inspections are done to ensure that unauthorized outsourcing does not occur. We must always know where our production is taking place.

#### How much is known about where sub-suppliers and raw material production occurs:

All suppliers are required to keep updated information about sub-suppliers available for Varner. Sub-suppliers must be declared for each order, and for certain product groups sub-suppliers must be inspected and approved before use. Information on sub-suppliers is validated by audits, factory visits and random controls. Traceability is a main priority for Varner. We work on being traceable throughout the entire supply chain. Activities that can close the gaps will be established in the coming years.

The Varner CSR Program, which includes a due diligence process of announced and unannounced audits and visits as well as improvement and remediation support, has been rolled out for second tier factories in three out of four core production markets. For selected supply chains third to fourth tier factories are also included in the program.

Specific challenges related to traceability:

Although we have developed traceability procedures in our supply chain, we still need to perform controls, visits and inspections to verify the information we get. It is difficult to control the use of sub-suppliers in all tiers of the supply chain completely, although we believe we have come a long way. We also face challenges in being present at production sites of raw material. Responsible Wool Standard, Responsible Down Standard, Fairtrade certified cotton and certified organic cotton enables us to trace raw materials. We have ambitions to strengthen our position withing these standards in the coming year.

Any other relevant information:

The industry is becoming more and more transparent as we go along. Suppliers and sub-suppliers are aware that it is not acceptable to hide information from business partners in the supply chain which is a positive step.

Q2.3 Please provide a list of the number of first tier suppliers per country:  
(suppliers known to the company):

| Country           | Number |
|-------------------|--------|
| China             | 125    |
| Bangladesh        | 49     |
| India             | 47     |
| Turkey            | 58     |
| Italy             | 9      |
| Serbia            | 5      |
| Vietnam           | 2      |
| Republic of Korea | 5      |
| Pakistan          | 3      |
| Poland            | 1      |
| Sri Lanka         | 6      |
| Sweden            | 2      |
| Ukraine           | 1      |
| Portugal          | 2      |



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## Method for Assessing Risk for Existing Suppliers

Q2.4 Has your company established a risk profile (per country/industry sector) associated with working conditions, human rights, environmental risk and corruption in the supply chain?

Yes

If yes, please describe the methods you have adopted for developing this risk profile:

Varner has regional sustainability teams in all core sourcing markets who have detailed expertise on local and regional risks and are in continuous contact with relevant stakeholders such as workers, workers associations, NGOs, governmental bodies, employers associations, and other companies operating in the same market. The risk profiles are developed by the CSR team and updated regularly. Evaluation of risk is done by using available and reliable information (such as existing country profiles developed by third party organizations) and by using our internal experience and competence from local expert organizations and NGOs. The profiles are evaluated related to industrial process required for type of production. Risk profiles are also developed for all new/potential markets/countries before initiating business.

Q2.5 Describe the extent to which your company has developed risk profile for individual suppliers. Please include:

The criteria used to decide which suppliers to perform risk assessment on:

We perform risk assessments on every supplier in our portfolio as well as potential new suppliers.

The number and geographical location of suppliers for whom you have developed individual risk profiles:

Risk assessments and risk profiles are developed for suppliers and factories in all regions. Our core production markets are located in China, India, Bangladesh, Turkey. We know that the risk of breaches of our Code of Conduct can be found in all regions where Varner operates.

Methods used for arriving at the risk profile:

Risk profiles for suppliers are developed through a due diligence process including document reviews, on-site inspections, visits, self-assessments, interviews, local context and stakeholder input.

Any other relevant information:

We rank our suppliers on risk from low risk to critical risk. We also perform supplier evaluation two times a year. Suppliers that have been ranked in the category critical risk are under pressure and must as soon as possible show evidence of improvement.

Indicator 2-2: Number of existing suppliers assessed for either working conditions, human rights, environmental impact, corruption or program for supplier follow-up, broken down by risk assessment methods:

| Number of suppliers assessed | 2018 | 2017 | 2016 |
|------------------------------|------|------|------|
| Number of suppliers          | 315  | 324  | 322  |

| Number of suppliers divided by risk assessment methods | 2018 | 2017 | 2016 |
|--|------|------|------|
| Unannounced Audits/Inspections*                        | 87   |      |      |
| Semi-announced Audits/Inspections*                     | 148  |      |      |
| Announced Audits/Inspections*                          | 439  | 487  | 339  |
| Total Audits/Inspection done by Varner CSR team        | 449  | 487  | 339  |
| Total Audits/Inspections done by external party        | 225  | 375  | 176  |
| Onsite visits by Varner CSR team (announced)*          | 82   | 145  | 129  |
| Onsite visits by Varner CSR team (unannounced)*        | 32   |      |      |
| Check of reports from previous inspections             | 79   | 115  | 41   |
| *new reporting categories for 2018                     |      |      |      |

## Description of Supply Chain Risk Profile

Q2.6 Describe your company's supply chain risk profile in relation to compliance with your code of conduct:

Please specify:

Which countries are deemed to be high risk:

Risk for non compliance and breaches of our Supplier Code of Conduct are in general considered to be significantly high in all our main production markets. The risk profiles are different in our four core markets in terms of how visible and apparent the issues and risks are and how easily they can be improved. Another important point is that the nature of risks vary in severity, potential harm and remediability.

Which aspects of your CoC are particularly at risk of being breached:

All elements in the Code of Conduct are included because we acknowledge that there is a risk of non-compliance in our supply chain. However, there are certain issues that are more present than other.

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The aspects in our Code of Conduct particularly at risk of being breach are:

- Working Hours
- Occupational Health & Safety
- Wages & Benefits
- Freedom of Association and the Right to Collective Bargaining
- Regular Employment

Challenges when it comes to sub-suppliers and raw materials production :

There are several challenges related to sub-suppliers and production of raw materials. We are working on closing the knowledge gap in this part of our supply chain. Challenges include:

- Traceability of raw materials
- Chemical requirements
- Conformance to social requirements
- Transparency, openness and dialogue
- Frequent turnover of factories

Other specific challenges, e.g. in relation to suppliers being located in export processing zone, subcontracting labour or outsourcing production.

Unauthorized outsourcing of production to factories that has not been approved by Varner is a zero-tolerance issue. We are well aware that there is a significant risk of this breach in our production markets. We consider this a clear violation and use significant resources to mitigate this.

We experience a challenge related to freedom of association for factories in Export Processing Zones. We plan to address this challenge within the scope of the Social Dialogue program together with ETI.



# 3. ADAPT

Adapting purchasing practices



### 3. ADAPT ADAPTING PURCHASING PRACTICES

#### Long-term Supplier Relations

Q3.1 Describe your company's policy and/or practice relating to the length of supplier relations.

Our business strategy is to always focus on long-term relationships with our approved suppliers. No suppliers are sourced for one-time orders or brief business relationships. We perform detailed due diligence activities prior to opening up new business relationships. By initiating this thorough sourcing policy, we make sure our supplier portfolio only include suppliers suited for long-term partnership. A vast majority of our suppliers had been working with Varner for many years.

Indicator 3-1: Proportion of your total purchase coming from suppliers with whom your company has a long-term business relation (see definition):

|   | 2018 | 2017 | 2016 |
|---|------|------|------|
| Percentage purchase through long-term agreements: | 95 % | 95 % | 95 % |

#### Purchasing Practices

Q3.2 Has your company performed an analysis of how your purchasing practice affects your suppliers?

Yes

If yes, please describe how this was done and what the main findings were:

We carried out a survey among our suppliers in 2016 to get feedback on our purchasing practices and sustainability efforts. The majority of the suppliers are content with time line for order confirmation to placing orders, but we see that we can make improvement when it comes to capacity booking and planning. In addition, we nominated and encouraged all our suppliers to take part in the 2016 international survey of purchasing practices that has been conducted by ILO and ETI's in Norway, Denmark and UK.

Q3.3 Has your company amended its purchasing practice to minimise negative impacts or to promote better working and environmental conditions at suppliers?

Yes

If yes, please describe the changes that have been made:

Our buying department has consolidated business across all Varner brands in order to be improve cooperation with suppliers even more. Additionally, we have implemented a new planning strategy that enables us to increase early forecasting and early placement of orders. Our purchasing is closely follow-up by our four production

offices covering all production countries. Finding ways to minimize negative impacts of our buying is an ongoing process and we will continue to focus on how we can promote better working and environmental conditions with suppliers through our purchasing practices.

Indicator 3-2: Time elapsed prior to paying suppliers

A) Please state the credit terms in terms of number of days in your standard agreements with suppliers:

| Standard credit terms for suppliers | 2018 | 2017 | 2016 |
|-------------------------------------|------|------|------|
| Number of days:                     | 30   | 30   | 30   |

B) Please state the percentage of supplier payments made within the agreed credit term:

| Percentage of payments made within agreed time | 2018   | 2017   | 2016   |
|--|--------|--------|--------|
| Percentage paid within agreed time:            | 99.0 % | 99.0 % | 99.0 % |

### Evaluation of the Impact of Changes made to Purchasing Practices

Q3.4 Describe how your company has assessed the impact of any changes made to your purchasing practices and provide details of the results of this assessment:





# 4. COLLABORATE

Improvements in the supply chain



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## 4. COLLABORATE IMPROVEMENTS IN THE SUPPLY CHAIN

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### Product Design and Choice of Raw Materials

Q4.1 Has your company chosen product design features or raw materials that reduce negative impacts or promote better working or environmental conditions?

Yes

If yes:

Describe measures taken in the reporting year:

1. 27% of all cotton was procured according to the Better Cotton Initiative in 2018, goal of 50% by 2020.
2. Focusing on expanding the use of certified Organic Cotton.
3. We have initiated a partnership with Fairtrade in 2017 and expanding the collection of Fairtrade certified cotton in 2018 to 2,5% of total volume.
4. Since 2014 we have certified 100% of our down products according to animal welfare and traceability standards. In 2016 we switched to a new standard; Responsible Down Standard continuing with 100% certified products.
5. We have expanded the use of Swan certified products and number of Swan certified suppliers.
6. We have committed to the Responsible Wool Standard and are working with certifying suppliers and preparing the supply chain for being able to produce certified products in 2019.

Describe the impact that your company expects these measures to have:

1. Procuring Better Cotton we will be a part of the development of Better Cotton as a sustainable mainstream commodity. Making cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. BCI production uses less water, less synthetic fertilizers and pesticides, increase the yield and focuses on better working conditions for the farmer.
2. By expanding the use of certified Organic cotton, we will be a part of securing the farmer a premium for his crop, reduce the use of synthetic fertilizers and pesticides.
3. By buying Fairtrade certified cotton we will be a part of securing better working conditions for farmers, and a steady income. The Fairtrade premium will also help the local community contributing to development.
4. By continuing the certification of our down products we address and recognize issues related to animal welfare and traceability. By following RDS our customers can be assured Varner take animal welfare and traceability seriously.
5. Expanding the the number of Swan certified suppliers and increasing the use of Swan certified products will enhance the traceability in the supply chain, and securing the chemical use in production.
6. By introducing the Responsible Wool Standard certification of our wool products we address and recognize issues related to animal welfare and traceability. By implementing the RWS our customers can feel safe Varner take animal welfare and traceability seriously.

## Competence Development of Suppliers

Q4.2 Has your company identified the competence development needs of suppliers in order for them to be able to meet your code of conduct requirements?

Yes

If Yes, please provide:

Identified competence development needs:

- Awareness about transparency practice
- Knowledge about solid systems for control of overtime use and compensation.
- Awareness and knowledge about cooperation and dialogue between worker and management
- Fire safety (including especially engineering and maintenance of electrical set-up at factories)
- Best practice on human resource management (wages and benefits, legal contracts, social insurance)
- Production efficiency and planning
- Workers Occupational Health and Safety training

Planned competence development activities:

Individual training of suppliers and factories in all regions on relevant development goals. Continued training of suppliers (including management and workers) on how to drive improvement processes on working conditions and sustainable practice.

Suppliers included in terms of number, country/region and type of supplier:

We expect to cover minimum 30% of all suppliers in all regions each year with development activities targeting management, mid-management, supervisors or floor workers. We will in particular target suppliers that are ranked with a higher risk.

Q4.3 Has your company contributed to competence development of suppliers in the reporting year?

Yes

If yes, please describe in the table below:

Completed competence development activities

Suppliers included in terms of number, country/region and impact (expected or measured)

| Competence development activity (organised by oneself or others)  | Number of suppliers | Country or Region | Impact (expected or actual) |
|---|---------------------|-------------------|-----------------------------|
| Community awareness training related to project about conditions in the Tirupur spinning mill sector (organized by the NGO SAVE). | 0 (3 communities)   | India, Tamil Nadu | Raised awareness            |

| Competence development activity (organised by oneself or others)  | Number of suppliers               | Country or Region | Impact (expected or actual)  |
|---|-----------------------------------|-------------------|--|
| Women Empowerment Principles (WEPs) training (trainers from UN)   | 3                                 | Turkey            | Increased awareness on how to develop suitable workplaces for female employees   |
| CSR self-reliance training (Varner internal trainer)  | 7                                 | India             | Increased knowledge and understanding in internal compliance teams of how to assess own CSR performance                              |
| CSR Management System training (Varner internal trainer)  | 4                                 | India             | Increased knowledge and understanding at management level of how to manage working condition by establishing policies and procedures |
| Social insurance promotion training (based on worker surveys)   | 3                                 | China             | Increased understanding about how to increase social insurance level among workers   |
| Satisfaction surveys for workers (organized by worker representatives in cooperation with Varner)   | 2                                 | Turkey            | Raised awareness about issues at the workplace and resolution plan   |
| Workplace Program for training of Safety Committees (trainers from the Accord Bangladesh). Including modules on:<br><ul style="list-style-type: none"> <li>- Fundamentals of Safety Committee</li> <li>- Safety Committee role in Accord Remediation</li> <li>- Safety Committee and safety complaints</li> <li>- Workplace Hazard Identification and Control</li> <li>- Communication Skills and Joint Problem Solving</li> <li>- Safety Monitoring Systems</li> </ul> | 27 (271 safety committee members) | Bangladesh        | Raised capacity to prevent and identify safety hazards   |

| Competence development activity (organised by oneself or others)  | Number of suppliers                            | Country or Region | Impact (expected or actual)  |
|---|--|-------------------|--|
| The Bangladesh Accord Safety Awareness training (all employee sessions). Trainers from The Accord Bangladesh. | 27 (83 000 workers)                            | Bangladesh        | Raised awareness about fire and building safety, right to refuse unsafe work, and grievance channels   |
| Social Dialogue training (trainers from Joint Ethical Trading Initiatives)                                    | 6  | Bangladesh        | Knowledge at all levels (and in particular in the workplace participation committee) about how to exercise management-worker dialogue at the workplace to prevent and solve workplace related problems |
| Training in rights & responsibilities (QuizRR training tool)  | Factories: 3<br>Managers: 230<br>Workers: 2853 | Bangladesh, China | Knowledge and awareness about rights and responsibilities at work  |
| Training in worker engagement (QuizRR training tool)  | Factories: 2<br>Managers: 57<br>Workers: 1163  | Bangladesh, China | Knowledge and awareness about how workers can engage actively at the workplace to improve the work situation and solve issues at work  |
| Training about involuntary work (QuizRR training tool)  | Factories: 2<br>Managers: 52                   | China             | Knowledge about how to prevent and address work that can be associated with forced labour  |
| Wage management training (QuizRR training tool)   | Factories: 1<br>Managers: 35<br>Workers: 18    | China             | Knowledge about how to structure wage systems to accommodate and achieve fair wages  |

## Improvement of Suppliers

Indicator 4-1: Improvement measures concerning working conditions and human rights (HR)

A) Please report on the number and percentage of current suppliers where you have identified non-compliance issues connected to working conditions and HR:

| Identified issues connected to working conditions and HR   | Number | Percentage |
|--|--------|------------|
| Suppliers in the reporting year with identified issues related to working conditions and human rights: | 195    | 62 %       |

B) State the percentage of these suppliers (of the number given in 'A') where:

- You have agreed or requested improvements
- Improvement measures have been completed
- Contracts have been terminated (e.g. as a result of unwillingness to improve conditions)

Please also divide improvement measures into CoC clause and country/region

| Improvement measures for working conditions and HR                       | 2018 | 2017 | 2016 |
|--|------|------|------|
| Percentage of suppliers where you have agreed or requested improvements* | 95 % | 90 % | 90 % |
| Percentage where improvement measures have been completed*               | 40 % | 50 % | 43 % |
| Percentage where contracts were terminated*                              | 4 %  | 6 %  | 4 %  |

\* Percentage of the suppliers where non-compliance issues have been identified (of number stated in 'A')

| Percentage distributed by CoC clause in 2018     | Improvement measure completed (%) |
|--|-----------------------------------|
| Freedom of association and collective bargaining | 2 %                               |
| Health and safety                                | 45 %                              |
| Working hours                                    | 6 %                               |
| Wages  | 23 %                              |



| Percentage distributed by CoC clause in 2018 | Improvement measure completed (%) |
|--|-----------------------------------|
| Regular employment                           | 14 %                              |
| Environment                                  | 8 %                               |
| Corruption                                   | 1 %                               |
| Forced labour                                | 1 %                               |

| Percentage distributed by country/region in 2018 | Improvement measure completed (%) |
|--|-----------------------------------|
| Bangladesh                                       | 17 %                              |
| China  | 21 %                              |
| India  | 38 %                              |
| Turkey   | 20 %                              |
| Pakistan   | 4 %                               |

C) Please provide details on the most important improvement measures:

- Improved systems for registering, tracking and monitoring working time/overtime and compensation
- Improved systems for internal policies and risk handling mechanisms
- Improved fire safety and building standards (including electrical safety)
- Improved Occupational Health and Safety standards
- Improvement measures on awareness raising and worker training
- Improved worker representation and grievance systems

Q4.4 Describe measures that your company has taken to ensure that workers receive a decent wage that covers the basic needs for the worker and his/her family, such as:

A gap analysis of workers' actual wages and proposed levels of a decent wage: Focus on wage practice, wage systems and wage levels is a part of the ongoing follow-up in the supply chain. We continue to focus on transparent and solid wage systems that allow for analysis on factory level of wage gaps. We are specifically targeting the widespread use of falsified and inaccurate data used for wage measurement. We have performed internal analysis of wage level and gaps between actual wage and decent wage. This work is ongoing.

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Measures taken to reduce the gap between actual wage levels and the proposed level for a decent wage: All suppliers are required to implement solid wage systems that allow for analysis of wage levels in a transparent manner. Workers in many of our factories are trained on their rights and responsibilities related to wages. In the cotton sector we have strengthened our position on Fairtrade certified cotton. The Fairtrade standard means working for fair wages for farmers. For Fairtrade cotton, there is a Fairtrade minimum price which acts as an important safety net, protecting farmers from fluctuating market prices. This ensures farmers can earn and expect a stable income and plan for their future.

Any other measures:

In order to ensure that all workers in our supply chain receive a decent wage that cover basic needs for the worker and the worker`s family, the industry depends on industry wide collaboration and initiatives. Governments and international organizations must work together. Varner will search for partnerships in our production markets to promote industry wide collaborations.

Q4.5 Describe measures that your company has taken, in the reporting year, to ensure that workers' right to freedom of association and collective bargaining are respected. Describe in terms of:

Measures taken:

Focus on Freedom of Association and Collective Bargaining is a part of our ongoing due diligence activities in the supply chain.

We have ongoing projects on competence training and capacity building. We have initiated capacity building activities with focus on freedom of association in Bangladesh and India. In Bangladesh, we cooperate with JETI in their Social Dialogue training-program. We also utilize QuizRR as a tool to scale up training sessions on rights and responsibilities and worker engagement for workers and management in China and Bangladesh.

Number and type of suppliers covered:

See pages 30-32 for more on training and capacity enhancement

Countries or region:

As of now, we are working with these issues specifically in Bangladesh and India. We are aiming to start implementing similar projects in Turkey as well.

## Indicator 4-2: Measures for Reducing Environmental Impact in the Supply Chain

A) Please report on the number and percentage of current suppliers where you have identified issues connected to environmental impact.

| Findings relating to environmental impact                             | Number | Percentage |
|---|--------|------------|
| Suppliers with identified environmental issues in the reporting year. | 73     | 23 %       |

B) State the percentage of these suppliers (of the number entered in 'A') where:

- You have agreed or requested improvements
- Improvement measures have been completed
- Contracts have been terminated (e.g. as a result of unwillingness to improve conditions)

Please also break down measures by theme and country/region.

| Measures for reducing environmental impact in the supply chain           | 2018  | 2017  | 2016  |
|--|-------|-------|-------|
| Percentage of suppliers where you have agreed or requested improvements* | 100 % | 100 % | 100 % |
| Percentage where improvement measures have been completed*               | 22 %  | 31 %  | 25 %  |
| Percentage where contracts were terminated*                              | 0 %   | 0 %   | 0 %   |

\* Percentage of the suppliers where issues have been identified (of number stated in 'A')

| Percentage distributed thematically in 2018 | Improvement measure completed (%) |
|---|-----------------------------------|
|   |                                   |

| Percentage distributed by country/region in 2018 | Improvement measure completed (%) |
|--|-----------------------------------|
| Bangladesh                                       | 44 %                              |
| Turkey   | 6 %                               |
| India  | 50 %                              |

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C) Please provide details on the most important improvement measures:

- Improved procedures and practice for chemical handling
- Improvement measures on gaps related to environmental permits
- Measures to reduce water use in production

Q4.6: Describe measures that your company has taken in the reporting year relating to anti-corruption in your supply chain. Please include:

Requirements to change of practice and termination of contracts/business relations:  
Anti-corruption and anti-bribery continues to be a focus for Varner. We consider this work to be a crucial part of our sustainability approach as well as our business approach. These issues are covered explicitly in the scope of all Varner initiated factory audits.

Measures to improve your company's own anti-corruption work:  
As an international company working in complex supply chains, anti-corruption work is important for Varner and our integrity. This year, we updated our Anti-Corruption and Anti-Bribery Policy that communicates directly to our business partners and suppliers in order to highlight the importance of this issue.

## Use of Certification Schemes

Q4.7 Describe your company's policy on whether certification is used as a means for improving conditions in your supply chain:

Certification standards and schemes such as Nordic Ecolabel Swan, Fairtrade, Better Cotton Initiative (BCI), Responsible Down Standard (RSD) and Organic Cotton (GOTS/OCS) are used as a means to improve conditions, particularly beyond tier 1 in the supply chain. We are aware that our possibilities to reach every area touched by our business is a challenge. As of now, standards and certifications targeting challenging areas are considered to be the best solution.

Indicator 4-3: Proportion of purchased material, products and/or services that have some form of environmental or social certification.

Please provide the percentages of purchased material, products and/or services that is certified by social or environmental standards, according to each categories that is relevant to report on by your company:

| Category material/product/service                            | 2018<br>% certified | 2017<br>% certified | 2016<br>% certified |
|--|---------------------|---------------------|---------------------|
| Cotton- preferred sustainable cotton measured in qty- Varner | 38 %                | 49 %                |                     |

Please show the distribution by certification standard for the reporting year:

| Category material/product/service (in 2018)            | Certification standard    | Percent certified |
|--|---------------------------|-------------------|
| Production facilities- 6 suppliers                     | Nordic Ecolabel Swan      |                   |
| Cotton- measured in cotton lint purchased Varner level | Better Cotton Initiative  | 27 %              |
| Cotton- measured in qty- Varner                        | BCI                       | 18 %              |
| Cotton- measured in qty- Varner                        | Organic cotton (OCS/GOTS) | 16 %              |
| Cotton- measured in qty- Varner                        | Nordic Ecolabel Swan      | 2 %               |
| Down- measured in qty- Varner                          | RDS                       | 100 %             |
| Cotton- measured in qty- Varner                        | Fairtrade                 | 2 %               |

## Improvement Projects and Activities

Q4.8 Please describe improvement projects or activities in the reporting year where the main purpose is to improve compliance to your code of conduct.

|                                      |  |
|--------------------------------------|--|
| Project name:                        | Social Dialogue  |
| Purpose:                             | Establishing a platform and necessary tools for effective social dialogue/workplace dialogue at factories  |
| Main activities:                     | Training of worker representatives/labour union representatives and factory management and mid-management (in joint and separated training sessions). Facilitating dialogue between workers and management.  |
| Country/ies:                         | Bangladesh   |
| Project partners:                    | JETI, suppliers, worker representatives, labour unions   |
| Start date and expected finish date: | 2015-  |
| Learning gained and challenges met:  | Evaluation of the project has identified significant positive effect on how workers can actively contribute to solve issues at their workplaces in constructive dialogue with leaders and management. There are challenges related to maintenance of systems, information and learning over time, and also related to the active inclusion of women. |
| Ethical requirements addressed:      | Freedom of Association   |

|                                      |  |
|--------------------------------------|--|
| Project name:                        | Right and Responsibilities and Worker Engagement Training  |
| Purpose:                             | Provide training for workers and management on rights and responsibilities related to fair labour practice at work, and training on how workers can actively engage at the workplace |
| Main activities:                     | Scaled training for workers and management   |
| Country/ies:                         | Bangladesh, India, China   |
| Project partners:                    | CRB, JETI, QuizRR, suppliers   |
| Start date and expected finish date: | 2016-  |
| Learning gained and challenges met:  | Increased awareness at worker and management level.  |
| Ethical requirements addressed:      | Occupational Health and Safety, Harassment and Disciplinary Measures, Wages and Benefits, Working Time, Freedom of Association   |



|                                      |   |
|--------------------------------------|---|
| Project name:                        | Refugee Support Project   |
| Purpose:                             | Ensure support and where needed appropriate remediation for refugees at work in Turkey  |
| Main activities:                     | Awareness training for suppliers, help for refugees to find formal and legal work, grievance channel for refugees                   |
| Country/ies:                         | Turkey  |
| Project partners:                    | MUDEM, ASAM, suppliers  |
| Start date and expected finish date: | 2015-   |
| Learning gained and challenges met:  | Increased understanding of the complex situation for refugees, and how to integrate refugees at workplaces in a responsible manner. |
| Ethical requirements addressed:      | Discrimination, Regular Employment  |

|                                      |  |
|--------------------------------------|--|
| Project name:                        | Work 2 Learn   |
| Purpose:                             | Provide education and vocational training for marginalized young adults in Bangladesh  |
| Main activities:                     | Set up training centers and vocational schools for textile education and provide practical training at factories with good workplace standards |
| Country/ies:                         | Bangladesh   |
| Project partners:                    | Save the Children, SEEP, suppliers   |
| Start date and expected finish date: | 2013-2020  |
| Learning gained and challenges met:  | Increased knowledge about lives of adolescents in Bangladesh and the limited opportunities for skills enhancement.                             |
| Ethical requirements addressed:      | Child Labour (apprenticeships for young workers)   |

|                                      |   |
|--------------------------------------|---|
| Project name:                        | The Bangladesh Accord on Fire and Building Safety                                 |
| Purpose:                             | Ensure a safe textile manufacturing sector in Bangladesh                          |
| Main activities:                     | An independent inspection program, a training program, grievance channel.         |
| Country/ies:                         | Bangladesh  |
| Project partners:                    | Labour unions, other brands   |
| Start date and expected finish date: | 2013-2021   |
| Learning gained and challenges met:  | The complexities of building and fire safety and the right to refuse unsafe work. |
| Ethical requirements addressed:      | Occupational Health and Safety  |

|                                      |  |
|--------------------------------------|--|
| Project name:                        | Spinning Mills in Tirupur  |
| Purpose:                             | Address unfair labour practices in the spinning mill sector in Tirupur/ Tamil Nadu   |
| Main activities:                     | Awareness program for communities, training and awareness program for employment agents, improvement program for factories |
| Country/ies:                         | India  |
| Project partners:                    | SAVE, suppliers, employment agents, communities  |
| Start date and expected finish date: | 2018-2019  |
| Learning gained and challenges met:  |  |
| Ethical requirements addressed:      | Regular Employment, Child Labour, Freedom of Association, Occupational Health and Safety                                   |

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## Evaluating the Impacts of Improvements Measures

Q4.9 Please evaluate the impact of the improvement measures completed by your company in the reporting year. Evaluate the impact against the risk profile of your supply chain and issues that are identified:

We have obtained improvements in a wide range of risk areas in our supplier portfolio during the reporting year. We always seek to address negative impacts in our supply chain when they are discovered. Our CSR staff and our local presence enables us to be in direct contact with suppliers, factories, management and workers. Corrective action plans are developed in close communication with suppliers on all issues identified with a plan for improvement.

Some issues are by nature easier to improve than others. This includes issues like emergency exit routines, fire safety equipment, PPE and safety devices among other things. However, we increasingly experience issues and topics that call for a more progressive and long-term approach. This includes issues that has to do with national frameworks and well structured industry systems. Living wage versus minimum wage, overtime work, wage management systems and freedom of association are relevant examples.

These issues will not be solved over a few months period. We are working with our collaborative partners on how Varner can have an impact and how we can contribute to improvements. We have also seen that collaborations with other brands and stakeholders are helpful. In order to contribute to sustainable improvements in our supply chain, we need to address that some issues have deeper roots than other.

One specific issue is Freedom of Association and Collective Bargaining. Throughout our supply chain we encounter challenges related to worker representation, workers knowledge about rights and responsibilities at the workplace, and see a general lack of understanding of how workplace dialogue involving workers and management can be utilized as a tool to bring benefits to both business and workers. We have over the years initiated capacity building projects and competence development trainings. The feedback has been positive which motivates us to continue our work with our ongoing projects as well as search for new projects that contribute to raising the workers capacity to make change. However, we do experience that it is challenging to get to the root of the issue which often has to do with national restrictions and community standards. We see that joint cooperations (within the industry, with governments and the labour sector) are needed to address the issues in a way that has a lasting and sustainable impact.



# 5. COMMUNICATE

Strengthening awareness, dialogue and support



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## 5. COMMUNICATE STRENGTHENING AWARENESS, DIALOGUE AND SUPPORT

### Internal and External Communication about Ethical Trade

#### Q5.1 Describe how your company communicates internally about its work with ethical trade:

We run internal training sessions for the buying department, design department and the production offices on several sustainability-topics such as animal welfare, factory registration, CSR, hazardous chemicals etc. In addition, there are many formal (and informal) meetings between buyers, designers, the CSR-team and the QA-team to discuss different matters and cases when they occur. We have a PLM system where information about factories and sustainability policies, procedure and guidelines are communicated to all staff. Buyers are able to see the risk rating given to each factory and suppliers by the CSR team. Our Motimate internal training app contains several sustainability training modules for Varner employees. We also constantly work on our training sessions to meet the competence need of our employees. More sessions will be held in 2019 on relevant topics.

#### Q5.2 Describe how your company communicates externally about its work with ethical trade:

We have a page dedicated to sustainability on varner.com. We publish our ETI-report annually on this page as well as other information about our daily work, collaborative partners, transparency, animal welfare, quality assurance among other things. We actively communicate with our customers via our support-channels and on social media platforms. We also actively engage in relevant forums, networks and projects. One example of this is the Norwegian "Tekstilaksjon" where we are present each year. We often share our knowledge and experiences in relevant events and seminars. For example, we were invited to the Textile Exchange annual conference to speak about our commitment to purchase of Fairtrade certified cotton. In the years to come, we will have a focus on strengthening our communication externally.

#### Q5.3 Please provide details on which themes your company has communicated with stakeholders about ethical trade in the reporting year. Show:

Which stakeholder groups were involved

Whether it was dialogue on impact by your company's supply chain activities

Whether it was communication of the results of your work with ethical trade

| Topic/theme                                      | Stakeholders   | About impact of activities | About results communication |
|--|--|----------------------------|-----------------------------|
| Sustainability Manual                            | Suppliers, Factories                                 | Yes                        | No                          |
| Code of Conduct                                  | Suppliers, Factories                                 | Yes                        | Yes                         |
| Circular Economy                                 | Customers, Media, Employees                          | Yes                        | Yes                         |
| Children`s rights                                | Customers, NGOs, Media, Employees                    | Yes                        | Yes                         |
| Transparency and Traceability                    | All stakeholders                                     | No                         | Yes                         |
| Fairtrade Cotton                                 | NGOs, Industry Partners, Brands                      | Yes                        | Yes                         |
| Sustainability in Varner/<br>Sustainable Fashion | Media, Industry partners, NGOs, government officials | Yes                        | Yes                         |



| Topic/theme                      | Stakeholders                                     | About impact of activities | About results communication |
|----------------------------------|--|----------------------------|-----------------------------|
| Plan International collaboration | Media, Industry, Customers                       | Yes                        | Yes                         |
| Varner CSR Program               | Industry partners, industry Forums, Brands, NGOs | Yes                        | Yes                         |
| Migrant labour and refugees      | Suppliers, factories, workers, NGOs              | No                         | No                          |
| Homework                         | NGOs, suppliers                                  | No                         | No                          |

Q5.4 Does the company make a list of its suppliers publicly available or does it make this information available to interested parties in any other way?

Yes

If yes, please give details:

We publish our list of factories producing for Varner on Varner.com. The list is updated regularly. Additionally, Days Like This, Bik Bok, Cubus, Carlings and Dressmann publish name and details of suppliers on several products in store and/or online in their webshop.

We have an ongoing project in Varner on Transparency and Traceability where the aim is to share more information with customers and stakeholder about where and how our products are brought to the market.

Q5.5 Please provide an accurate web address where your company publishes information and/or reports about your work with ethical trade:

[www.varner.com](http://www.varner.com)

## Complaints Procedures

Q5.6 Describe how your company deals with complaints about non-compliance issues in the supply chain, divided by:

Tracking complaints made through established mechanisms such as supplier's own systems, national authorities and international mechanisms such as OECD National Contact Points.

We require the production facilities/factories to develop internal complaints and grievances systems in order to enable workers to raise their issues to assigned persons/committees. The factory management is required to have a system in place to ensure the issues raised are resolved in a fair and efficient manner.

We routinely check that these systems are available and effective for workers. In addition, a complaints mechanism available for all workers has been established in The Accord Bangladesh where we are a member and in Turkey (in collaboration with ASAM).



Your company's own systems for receiving and dealing with complaints from both internal and external stakeholders.

The HR department together with the Security department in Varner are responsible for handling incoming complaints from both internal and external stakeholders. Internal mechanisms and policies have been developed for how cases are handled in a sufficient way. Complaints received directly from workers are - if needed - resolved in collaboration with relevant local organizations by our local CSR-staff. The indicators below show the number of CSR related complaints at the supply chain level we have received.

### Indicator 5-1: Number of complaints received through established complaints mechanisms

Provide the number of complaints received through established complaints mechanisms relating to working conditions, human rights, environmental impact or corruption:

| Complaints received through established complaints mechanisms | 2018 | 2017 | 2016 |
|---|------|------|------|
| Number of complaints received                                 | 13   | 9    | 3    |

Divide complaints thematically and describe measures taken to follow-up or remedy:

| Topic of complaints received in 2018 | Number | Follow-up measures taken  |
|--------------------------------------|--------|---|
| Employment termination               | 5      | Stakeholder consultation, investigation including interviews of involved parties, meetings with employer, employees, union federations, other buyers. |
| Health and safety                    | 2      | Stakeholder consultation, investigation of incident from independent party, remediation plan  |
| Payment of wages                     | 3      | Stakeholder consultation, investigation including interviews of involved parties, meetings with employer, employees.                                  |
| Union or unionization                | 3      | Stakeholder consultation, investigation including interviews of involved parties, meetings with employer, employees.                                  |

## Promoting Ethical Trade and Experience Exchange

Q5.7 Has your company engaged in activities to promote ethical trade or share experience/knowledge in the reporting year?

Yes

If yes, describe activities and the target groups for these activities, for example:

- Suppliers
- Business and trade networks
- Authorities and/or public bodies
- Other

| Type of activity                      | Number | Target group(s)  | Description   |
|---------------------------------------|--------|--|---|
| Industry specific collaboration       | 12     | Other companies, multi-stakeholder initiatives, NGOs       | Active involvement in industry groups with focus on CSR & sustainability in Turkey, India, China  |
| Lectures at seminars                  | 9      | Other companies, civil society, NGOs, government officials | Lectures at seminars/conferences about Varner CSR Program   |
| Experience exchange                   | 3      | Other companies  | One on one experience exchange about CSR and ethical trade  |
| Lobbying against authorities          | 1      | Authorities, Industry Associations                         | Support for the continuation of The Bangladesh Accord on Fire and Building Safety   |
| Contributions to studies and research | 1      | Other companies, civil society, NGOs                       | Contribution to research on labour standards in homeworking. Research led by CCR CSR.   |
| Industry specific collaboration       | 3      | Other companies, NGOs, workers, factories, communities     | Collaborative projects on 1) conditions in the spinning mill sector in Tirupur, 2) social requirements and assessments in Europe, 3) migrants and refugees in Turkey, |

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| Type of activity                      | Number | Target group(s)                         | Description  |
|---------------------------------------|--------|---|--|
| Contributions to studies and research | 2      | Research organizations, other companies | (1) Research project about understanding the impacts of microplastic fibers in the aquatic environment in order to develop a decision support framework that enables garment manufacturers to make environmentally informed choices in their material selection. (2) Fiber shedding project together with industry and SWEREA. |





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